

# HOUSE BILL REPORT

## HB 1921

---

### As Reported by House Committee On: Appropriations

**Title:** An act relating to the quality maintenance fee on nursing facility operators.

**Brief Description:** Exempting certain nursing homes from the quality maintenance fee.

**Sponsors:** Representatives Schual-Berke and Bailey.

#### Brief History:

##### Committee Activity:

Appropriations: 3/3/05, 3/5/05 [DPS].

#### Brief Summary of Substitute Bill

- Requires the Department of Social and Health Services to submit a waiver amendment to the federal government that exempts facilities designated as institutions for mental disease from the nursing facility quality maintenance fee.

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

**Staff:** Bernard Dean (786-7130).

#### Background:

In 2003, legislation was enacted that imposed a quality maintenance fee of \$6.50 per patient day (excluding Medicare patient days) on nursing facilities. The quality maintenance fee was expected to generate \$78.2 million in general fund revenues during the 2003-05 biennium.

The legislation establishing the quality maintenance fee also directed the Department of Social and Health Services (DSHS) to request a waiver of federal uniformity rules from the Centers for Medicare and Medicaid Services (CMS) in order to exempt certain facilities from the fee, including state-operated facilities, public hospital districts, and as many nursing homes with no or low rates of Medicaid occupancy as, within the judgment of the DSHS,

could be exempted pursuant to federal requirements. No fee was due from the facilities named in the waiver request pending a final federal decision.

The CMS rejected the approach taken by the DSHS in its original waiver request. On January 4, 2005, the CMS approved a modified version of the waiver request submitted by the DSHS. The approved waiver exempted government-operated nursing facilities and facilities with 47 or fewer and 210 or greater licensed beds from the tax.

---

**Summary of Substitute Bill:**

By August 1, 2005, the DSHS will submit a waiver amendment to the federal Department of Health and Human Services that exempts from the quality maintenance fee nursing facilities that are designated as institutions for mental disease with state-funded contracts.

The waiver exemption of institutions for mental disease from the nursing facility quality maintenance fee is retroactive to July 1, 2003, unless the federal government disapproves the amended waiver request.

**Substitute Bill Compared to Original Bill:**

The substitute bill specifies that the DSHS shall submit the waiver amendment to the federal government by August 1, 2005, rather than by October 15, 2005, as in the original bill. The exempted nursing facilities identified as institutions for mental disease must have state-funded contracts. The substitute bill removes a change that redefines a nursing facility in the quality maintenance fee statutes.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** This bill directs the DSHS to file an amendment to the waiver for an exemption that will affect one out of seven nonexempt nursing facilities that were included in the original waiver request but that were not included in the approved waiver. The proposed substitute bill allows the DSHS to flexibly file for the amendment request in any manner appropriate to obtain this amendment. It will not adversely affect the waiver or bed tax currently in effect. This waiver amendment will affect one facility, Benson Heights. This facility serves two types of residents. Half of the residents come from King County Mental Health and the other half comes from the federal Veteran's Administration system. Last year this facility lost over \$100,000. It is now required to make retroactive payments of \$300,000 and another \$200,000 prospectively. The facility will not be able to afford this. With the additional loss of federal mental health funding this facility would have a double impact. The fiscal note of \$825,000 has not been paid into the general fund at this point. This facility has

been on the exemption list up until recently. That \$825,000 goes through June 30, 2005, and then there's the additional \$200,000. This has not been paid into the fund as of yet.

**Testimony Against:** None.

**Persons Testifying:** Representative Schual-Berke, prime sponsor; and Faye Lincoln, Avalon Health Care.

**Persons Signed In To Testify But Not Testifying:** None.